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REPORT FROM THE COMMISSION

**TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN
CENTRAL BANK, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE
AND THE COMMITTEE OF THE REGIONS**

**Fourteenth Report on the practical preparations for the future enlargement of the euro
area**

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1. INTRODUCTION

Since the euro was adopted by Latvia on 1 January 2014, the euro area comprises 18 EU Member States. Following the Council Decision of 23 July 2014 concluding that Lithuania fulfils the necessary conditions for euro adoption, the euro area will have 19 members as of 1 January 2015.

Lithuania has less than six months to finalise its preparations for the changeover. This report assesses the state of play of the practical preparations for introducing the euro and the progress made in preparing the changeover-related communication campaign by mid-June 2014. It also provides a short overview on the results of the latest opinion poll on the state of public opinion on the euro.

2. STATE OF PLAY OF THE PREPARATIONS FOR THE CHANGEOVER IN LITHUANIA

Lithuania will be the seventh of the group of Member States which joined the EU in 2004 to adopt the single currency. Lithuania's original target date of 1 January 2007 envisaged in the National Euro Adoption Plan of 27 September 2005 had to be reconsidered following the Commission's conclusion on 16 May 2006 in its 2006 Convergence Report on Lithuania¹ that, at that time, there should be no change in Lithuania's status as an EU Member State with a derogation. The target date of 1 January 2015 ("€day") has been determined by the Lithuanian Government in the new National Changeover Plan² which was approved by the Government on 26 June 2013 and amended in December 2013 and in June 2014. The National Changeover Plan is supplemented by an Action Plan for the Implementation of the National Changeover Plan³ which was adopted on 4 December 2013.

2.1. Organisation of the changeover, adaptation of the legal system and preparations of the public sector

Euro changeover preparations are organised in a structure comprising three levels (strategic, coordination and experts' level). Strategic questions are dealt with by the Commission for the Coordination of the Adoption of the Euro in the Republic of Lithuania, comprising the Prime Minister (Chair), the Minister of Finance and the Chairman of the Board of the Bank of Lithuania. The Commission's strategic decisions on practical preparations are implemented by a Working Group for the coordination of actions of the euro introductions which is chaired by the Minister of Finance. Preparatory work in specific areas is done at in six working groups,

¹ Available at http://ec.europa.eu/economy_finance/publications/publication_summary467_en.htm.

² Available at <http://www.lb.lt/preparation>.

³ Available at <http://www.lb.lt/preparation>.

involving representatives from various institutions and bodies. Like its Baltic neighbours Latvia and Estonia, Lithuania has refrained from appointing a specific 'Ms/Mr Euro', i.e. a person being the main press contact point for all changeover related question who embodies the changeover process for the general public. A toll-free Euro Hotline was launched on 6 May 2014.

On 17 April 2014, the Lithuanian Parliament, Seimas, has adopted the 'Law on the Euro Adoption in the Republic of Lithuania' containing provisions on important aspects of changeover preparation and implementation (including e.g. provisions on the principle of continuity of contracts, the cash changeover and withdrawal of litas, the conversion of amounts denominated in litas to euro and non-cash payments). In addition, there will be legislation addressing specific changeover-related issues (e.g. on the dual display of prices). The National Changeover Plan and the Action Plan for Implementation of the National Changeover Plan set out the procedures and timelines for the preparation of such legislation and for the amendment of existing legislation in the coming months.

So far, the Lithuanian government staff has not been systematically trained or provided with information material on the euro changeover and its practical implications for their employees. This should be reconsidered, since well-informed staff would be in a better position to contribute to internal and external changeover preparations and could serve as useful multipliers.

Against the background of the increased security risk due to the high volume of cash circulating during the euro changeover, a security action plan has been developed providing for measures enhancing the safety of cash transports by the Cash-in-transit (CIT) sector during the changeover process. An important aspect in this regard is the interoperability of the contingency plans of the public institutions involved in the changeover.

The preparations of the public sector for the changeover are well underway. Given that there is no dedicated 'Ms/Mr Euro' acting as the voice and face of the euro changeover, but several institutions and persons share responsibilities, it is of particular importance to ensure that enquiries from the public and the press quickly reach the proper point of contact. Moreover, it should be ensured that changeover coordinator(s) be available at all times around 1 January 2015 with a view to allowing quick responses in case of potential problems.

2.2. Preparations of the financial and banking sector

Lithuania intends to use a "big bang" changeover scenario⁴ and a dual circulation period of 15 calendar days.

Litas cash in circulation has significantly increased in the last years. 90 million litas banknotes are currently in circulation. More than one billion litas and centas coins will have to be withdrawn. As their neighbours in Latvia and unlike Estonians, Lithuanians are more prone to using cash than electronic means of payment.

The Lithuanian Mint in Vilnius will mint the euro coins with the national sides of Lithuania. The national sides of the 370 million euro coins of all denominations will feature Vytyis, an armoured knight on horseback which features also Lithuania's coat of arms. The design was

⁴ The euro banknotes and coins will be introduced on the same day the euro becomes Lithuania's currency. The big-bang scenario has been used in all Member States which joined the euro area after 2002.

selected by public opinion poll in 2004. Euro banknotes will be borrowed from the Eurosystem's stocks located at the Deutsche Bundesbank. The Bank of Lithuania has ordered 132 million euro banknotes of various denominations for the changeover. Although according to a Commission survey carried out in the recently acceded Member States⁵, six of ten Lithuanians polled have already used euro banknotes or euro coins, with a view to reaching the remaining share of population, it will be important to familiarise citizens with the structure and security features of euro cash.

The start of the frontloading of euro coins to credit institutions is scheduled for 1 October 2014 with frontloading of euro banknotes to follow as of 1 November 2014. Sub-frontloading of banknotes and coins to commercial banks' major clients will commence on 1 December 2014. Banks have not yet submitted their estimates on the volume of euro cash required. According to a first rough estimate, euro cash with a total value of 3.36 billion euro (some 91.6 million euro banknotes and 248 million euro coins) will be frontloaded. The number of available cash-in-transit (CIT) vehicles is currently being verified and will be adapted if necessary, taking into consideration the location and rotation capacities as well as the possibility of receiving CIT services from neighbouring countries.

The general public will have the opportunity to purchase starter kits with euro coins as of 1 December 2014. It is foreseen to produce 900,000 kits for citizens, each containing EUR 11.59. With a view to preventing hoarding and facilitating equal distribution of the starter kits, one person may only acquire up to five starter kits at a time. The starter kits for citizens will be sold at three cash offices of the Bank of Lithuania, in 345 bank branches and 330 post offices. Against the background of very recent changeovers it is not expected that each of the 1.3 million Lithuanian households will acquire a kit. There will be specific kits available for collectors as of €day (in total 42,000 kits). For retailers, it is envisaged to provide two sizes of starter kits: 60,000 kits containing EUR 111 and 50,000 kits containing EUR 200 (in total 110,000 kits). The Commission welcomes that retailers may choose between different sizes of starter kits. However, it is recommended to re-examine whether the envisaged number of retailer kits would cover the preliminary demand lodged with the banks.

With a view to relieving the dual circulation period, it will be very important to gradually reduce the volume of litas cash, in particular coins, in circulation before €day. Banks have agreed to carry out dedicated campaigns in November and December 2014 encouraging customers to deposit litas coins on bank accounts. It is recommended to supplement this measure with concrete incentives to dispose of (hoarded) cash. For example, against usual practise in Lithuania, banks should refrain from charging fees for depositing cash on bank accounts in branches or decrease such fees during the last four to six weeks of the year. So far, free of charge depositing of cash (banknotes) is only available at automatic teller machines (ATM) allowing cash deposits and bunch note acceptors (BNA) (241 ATMs/BNAs out of a total of 1,239). These ATMs and BNAs will continue to accept litas cash even after €day when ATMs will dispense only euro banknotes. Moreover, the Bank of Lithuania should offer unrestricted coin exchange services in the last months before €day.

All bank branches will provide unlimited cash exchange services free of charge during the six months following €day. 330 post offices will change litas cash up to the value of EUR 1,000 per transaction free of charge during the 60 days following the euro adoption date. Customers may also exchange litas cash at credit unions. A list of credit union offices offering cash

⁵ See Flash Eurobarometer 400, field work carried out 22-24 April 2014, available at http://ec.europa.eu/economy_finance/euro/communication/polls/index_en.htm.

exchange services will be announced by the Bank of Lithuania. The exchange of high amounts (at bank branches: more than LTL 15,000; the Lithuanian Post may set a different threshold for post offices) is subject to a three days' notice in writing. As of July 2015, 120 bank branches will continue to provide unlimited and free of charge cash exchange services for six more months. The Bank of Lithuania will change unlimited amounts of litas cash into euro for an unlimited period of time and free of charge. The commercial banks and the Lithuanian Post will increase their cash storage facilities, since exceptionally high amounts of cash will have to be handled during the changeover period.

All 1,193 ATMs in Lithuania will dispense euro banknotes by the early hours of 1 January 2015.

As a rule, change will have to be given exclusively in euro as of €day. This will be challenging in particular for retailers. Against this background, the Bank of Lithuania recommends in its Guidelines on Cash Changeover adopted in March 2014 that banks take into account the extra need for smaller denomination banknotes during the first days of the changeover when assessing their frontloading needs. Moreover, the Cash Management Recommendations for Businesses issued by the Bank of Lithuania and the Ministry of Finance in April 2014 underline that businesses should have enough small denomination euro banknotes and euro coins in all denominations available for use as change.

It will be crucial to decrease the volume of high denomination banknotes (litas and euro) towards the end of 2014. It is positive that commercial banks intend to refrain where possible from dispensing high denomination banknotes during the peak of the changeover. In particular, banks will refrain temporarily from introducing banknotes with denominations higher than 50 EUR in ATMs. In addition, businesses and consumers should be encouraged to use electronic payments more often during the first days after €day. The adjustment of point-of-sale (POS) terminals is envisaged for December 2014 with a view to switching instantaneously to euro on 1 January 2015.

The Lithuanian banking sector comprises 414 bank branches, 345 of which provide cash services. Some banks intend to reinforce the staff in branches handling cash operations. Counting and storage facilities in branches will be adjusted. Given that regular opening hours of bank branches in Lithuania are comparably long, it is not envisaged to extend opening hours during the changeover. It has not yet been decided whether bank branches and post offices will open on 1 January 2015, which is a public holiday. Pursuant to the Bank of Lithuania's Guidelines on Cash Changeover, bank branches should be opened during the first days after €day. The Commission strongly recommends that most branches and post offices open at least on the afternoon of €day. Moreover, banks should take additional measures to avoid long queues (e.g. opening special counters for businesses in the changeover period, increase of the number of counters, etc.).

Special training of banks' staff for the changeover will be provided by September 2014. Adjustments of banks' IT systems are scheduled for July 2014. Commercial banks' accounts with the Bank of Lithuania will be credited on the same day when coins are deposited, with corrections being made after the counting of the coins. It is recommended that banks take the same approach as regards business clients relying on quick crediting of cash (e.g. vending machine operators).

The preparations of the financial and banking sector seem overall well on track. To facilitate a smooth changeover, the volume of circulating litas cash should be significantly reduced already before €day. It is recommended to make use of concrete incentives for bank customers to dispose of (hoarded) cash, such as abolishing or decreasing applicable bank charges for depositing cash on bank accounts.

It is crucial that all ATMs will be available for euro withdrawal from 1 January 2015. ATMs which, for technical reasons, cannot be adapted on time should be closed. ATMs should not be loaded with banknotes denominated higher than 50 EUR in the changeover period and banks should refrain from dispensing high denominations at the counter.

Businesses and consumers should be encouraged to use electronic payments more often during the first days after €day.

It is strongly recommended that most branches and post offices open at least on the afternoon of 1 January 2015. Moreover, banks should take additional measures to avoid long queues, such as increasing the number of counters.

2.3. Preventing abusive practices and erroneous perception of the evolution of prices by the citizens

The period of dual display of prices in both litas and euro will start on 23 August 2014. Dual display of prices shall continue at least 6 months following the euro adoption date. With a view to the experience made in previous changeovers, it is recommended to end the dual display of prices by 1 January 2016 and to ensure that this end date is clearly communicated to the public, so that it makes good use of the period of dual display of prices to learn the new scale of value. This will make it easier for citizens to get fully accustomed to the new currency.

Details on the dual display of prices are laid down in the Ministry of Economy's Guidelines for Price Indication of Goods and Services during the Dual Display Period of 1 April 2014.

During the two months preceding the start of dual display period, the average retail prices of 40 goods and services will be monitored and regularly published. From the start of the dual display period until mid-2015, the average retail prices of 100 goods and services which have been determined by way of a campaign involving the public will be monitored and statistical information regularly published on the Official Statistics Web Portal. Monitored services will include services which, based on the experience of previous changeovers, are most likely to be affected by changeover related increase of prices such as hairdressers, restaurants and cafés and car repair services. Considering that euro-related price increases are one of the main concerns voiced by Lithuanian citizens, it will be crucial that information on price developments after €day is published already in the beginning of January 2015.

The Lithuanian Ministry of Economy has prepared a "Memorandum on Good Business Practice upon the Introduction of the Euro". Along the lines of the voluntary initiatives employed successfully in the previous changeovers, by signing the Memorandum, businesses (e.g. retailers, financial institutions, internet shops) will commit in particular not to use adoption of the euro as a pretext for increasing prices of goods and services, to apply the official conversion rate and rounding rules and to indicate prices in both currencies (litas and

euros) clearly and understandably, and not to mislead consumers. Subscribers will be entitled to use a special logo demonstrating their subscription to the Memorandum.

The call for subscriptions was launched on 1 May 2014. The start of the campaign is scheduled for 1 August 2014, i.e. even before the dual display period will have started. The Lithuanian authorities aim at getting on board as many subscribers as possible. During April and May 2014, 100 seminars took place in various regions of Lithuania informing businesses, opinion makers and the general public on the campaign. It is envisaged to reach out to businesses on a local level, involving community leaders. Lithuanian authorities plan to arrange seminars in all municipalities of Lithuania. The start of the campaign will be accompanied by further communication measures, such as video clips, banners, flyers, projects for school children and municipalities, a „Euro bus“ etc. Local authorities should be encouraged to involve volunteers, such as non-governmental organisations and students, with a view to approaching businesses one-to-one. As regards the coverage of the Memorandum, it is recommended to pay special attention to the subscription by service providers which, based on the experience of previous changeovers, are most prone to changeover related price increases. Their proximity to consumers is an important factor determining the overall perceptions of inflation.

Monitoring compliance with the requirements for price display and conversion (e.g. rounding rules) and the correct implementation of the Memorandum will be coordinated by the State Consumer Rights Protection Authority and involve various institutions such as the State Food and Veterinary Service and the State Non-Food Products Inspectorate. Some 330 inspectors will carry out intensified checks of sales points. Infringements may be sanctioned by a warning (first-time infringement by a natural person) or fines (repeated infringements of natural persons or any infringements by legal persons). Subscribers not correctly implementing the Memorandum will lose the right to use the logo. In case of undue price increases or otherwise abusing the euro adoption, they will be enrolled into a blacklist which will be made publicly available on the euro changeover website (<http://www.euro.lt/>).

The public will be encouraged to check whether prices in litas and euro are displayed correctly and the conversion is based on the official conversion rate determined by the Council of the European Union on 23 July 2014. Consumers will be able to submit complaints by telephone or e-mail. In order to fight erroneous perception of price evolution by the citizens and as a measure of deterrence, detected irregularities should be addressed quickly. Suspicious price increases detected by the inspectors as well as those lodged by consumers should be properly investigated and corrective action taken as quickly as possible, preferably within a maximum of 48 hours.

Though significant progress has been made to establish a solid framework for preventing abusive practices and erroneous perceptions of the evolution of prices by the citizens, some efforts are still needed. Information on price developments after €day should be published already in the beginning of January 2015.

Lithuanian authorities should take all efforts to achieve the highest possible subscription rate to the Memorandum on Good Business Practice upon the Introduction of the Euro. The envisaged decentralised approach should be complemented by involving volunteers, such as non-governmental organisations and students who approach businesses one-to-one. As regards the coverage of the Memorandum, it is recommended to pay special attention to the subscription by the service providers most prone to changeover-related increase of prices (proximity businesses, such as hairdressers, restaurants and cafés and

car repair services).

The corrective action against businesses not complying with the requirements for price display and conversion (e.g. rounding rules) or not correctly implementing the Memorandum on Good Business Practice should be taken immediately, with a view to taking a final decision within a maximum of 48 hours.

2.4. Changeover preparations in rural areas and the preparations of enterprises

As its Baltic neighbours Estonia and Latvia, Lithuania has a rather low average population density when compared to the EU average⁶. The country is composed of 10 counties and 60 municipalities. With a view to the cash oriented payment habits of Lithuanians, a thorough planning and preparation of the changeover procedures in particular in rural areas will be crucial for a smooth changeover. The facilities for exchanging litas for euro and retrieving legacy cash must be put in place in all areas. Against this background, Lithuanian authorities have developed a checklist of euro changeover actions to facilitate monitoring of the progress on the municipal level. The checklist will be complemented by a list of contact points in each municipality. It is intended to monitor the implementation of the actions identified on the checklist regularly and in a structured way. Besides media and internet, the local authorities will often serve as the only information provider in remote areas. They should therefore be thoroughly prepared and trained.

The local branches of consumer organisations, agencies and various non-governmental organisations should be actively involved in the preparations in order to increase the local ownership of the changeover.

Cash exchange services will not only be offered by the Bank of Lithuania and commercial banks (345 branches) but also by 330 post offices and 22 credit unions (see Section 2.2 above). Coverage of rural areas by bank branches, ATMs outside of bank premises, post offices and credit unions has been monitored closely since early 2014. Small post offices with restricted storage capacities which usually do not provide cash services will be supported by "mobile teams" of staff.

Retailers including in particular big supermarket chains will have an important role in the changeover as "de facto exchange office". The big supermarket chains in Lithuania are also active in Estonia and/or Latvia and have, therefore, already experience with the challenges of a euro changeover. Most preparatory activities will only start once the Council decision concluding that Lithuania fulfils the necessary conditions for euro adoption has been adopted. It will be essential to ensure in the remaining time until €day that all enterprises, including those who will not actively seek for information, will be adequately prepared.

The "train the trainer" scheme developed by the Bank of Lithuania informing cash handlers on the single currency including in particular euro cash security features has been launched in March 2014. By end of May, 27 trainings had been provided which were attended by 735 cash handlers. Lithuanian authorities envisage training some 1,000 trainers from various sectors until December 2014.

Pursuant to the Law on the Euro Adoption in the Republic of Lithuania, vending machines will have to accept payments in euro as of €day.

⁶ In 2012, Lithuania had 47.7 inhabitants per km² compared to an estimated EU average of 116.3 (Source: Eurostat).

It is important that preparations of local authorities for the changeover are steered and regularly monitored to make sure that all necessary adjustments are taken care of. The staff of the Lithuanian Post should be properly trained for its new role during the changeover. Involvement of local branches of consumer organisations, agencies and various non-governmental organisations would increase the local ownership of the changeover. The preparations of enterprises should speed up and be supported and monitored by the responsible authorities. Special attention should be paid to small and medium sized enterprises.

2.5. Communication on the euro

The general objective of the euro changeover communication strategy is to ensure that Lithuania's population clearly, objectively, accurately, timely and properly informed of the impact and practical changes related to the changeover from litas to euro. It is estimated that at least 80%⁷ of inhabitants will feel sufficiently informed on euro adoption issues as a result of the implementation of the communication strategy. The campaign has also the goal to increase public awareness of euro adoption by explaining the benefits and the importance of Lithuania's accession and to address citizens' concerns and uncertainties. The communication campaign will, therefore, be an important determinant for a successful changeover. The European Commission notes substantial progress in the implementation of the communication activities during the first half of 2014 and welcomes the Lithuanian authorities' assurance to pay attention to the information needs of vulnerable groups. The Commission also welcomes the approach to target the business community, public authorities and municipalities in seminars and information events in the country to inform them on general aspects of euro adoption and to promote the fair pricing initiative. They are important multipliers of the communication messages.

As the major part of the information campaign, especially the mass media campaign, has not yet started, it is not yet possible to assess its impact. Public opinion poll results, including the recent Eurobarometer (Flash EB 400), show that support for the euro in Lithuania is improving (46%, +5pp) though concerns of abusive practices and loss of purchasing power are clearly present. Public opinion surveys will help to measure the success of the changeover communication campaign and to identify the possible need for adjusting communication channels or activities.

Lithuanian authorities should take due account of regular general public opinion polls with the possibility to adjust the topics and the main messages of the information campaign as appropriate in order to reach as broad public support for the introduction of the euro as possible.

For all communication activities it is vital that the Ministry of Finance ensures fully transparent, non-discriminatory public procurement procedures to be finalised in a timely manner in accordance with Lithuania's Law on Public Procurement.

The Commission intends, under a Partnership Agreement, to support the implementation of the communication plans both by in kind contributions and via a grant agreement for up to 50 % of the eligible costs of jointly agreed activities/categories, such as salaries of communication staff, the mass media campaign (TV, radio, internet, press, outdoor

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As referred to in the Grant application "Communication activities related to euro adoption in Lithuania" submitted by the Lithuanian Ministry of Finance on 16 April 2013.

advertisement), seminars and other informational events and publications of practical aspects of euro introduction for each household.

The European Central Bank contributes to the national euro information campaign by organising an exhibition on the features of euro banknotes and other public relations events, delivering publications and providing support for the mass media campaign with TV spots, newspaper, outdoor and digital advertisement.

A well-established euro changeover website (www.euro.lt) launched already in 2007, is a main source of information for the public. It will provide an interactive map with post offices and bank branches where people can change litas free of charge and a map of businesses which have signed the "Memorandum on Good Business Practice upon the Introduction of the Euro". For businesses, it will be possible to sign the Memorandum online. The toll free Euro Hotline which was launched on 6 May 2014 will also play an important role in providing information to the general public and other target audiences on the political, economic and practical aspects of the adoption of the euro. Up-to-date information on euro changeover preparations is also available on the website of the Ministry of Finance: (<http://www.euro.lt/en>) and the Bank of Lithuania (<http://www.lb.lt/euro>).

3. STATE OF PUBLIC OPINION IN THE RECENTLY ACCEDED MEMBER STATES

Since 2004, the European Commission has commissioned 'Eurobarometer' (EB) surveys in the countries which joined the EU in 2004, 2007 and 2013 and have yet to adopt the euro (the newer Member States - 'NMS') in order to gauge citizens' attitudes towards and knowledge about the introduction of the euro. The spring 2014 'NMS-7' survey (Flash EB 400)⁸ covering Poland, the Czech Republic, Hungary, Bulgaria, Romania, Lithuania and Croatia is the seventeenth of its kind. The fieldwork for this survey was carried out in April 2014.

For the purposes of this report, the results of the latest Eurobarometer survey were compared with the results of the previous survey conducted in the Flash EB 377 (field work April 2013).

3.1. Support for euro adoption/perceived consequences

As to the support for the introduction of the euro in NMS-7, this latest survey clearly reverses the gradual downward trend of previous survey waves. Now a majority in NMS-7 is in favour of introducing the euro in their own country: 52% (+7pp) are in favour whereas 45% (-6pp) are against.

In Lithuania, however, a relative majority of respondents is still against introducing the euro (48%, -7 pp) while 46% (+5 pp) are in favour. Nevertheless, the findings clearly show that the number of supporters of euro introduction is rising steadily.

Though still half of NMS-7 respondents (50%, -4pp) expect negative consequences of the euro introduction for their own country, this result constitutes a clear improvement compared with previous Eurobarometers, whose results had remained almost unchanged since 2011. In Lithuania, the result is even more positive. Among Lithuanian citizens, 47% (-8pp) expect negative consequences while 41% (+6pp) expect positive consequences for their own country.

⁸ Flash Eurobarometer 400, field work carried out 22-24 April 2014, available at http://ec.europa.eu/economy_finance/euro/communication/polls/index_en.htm.

On a personal level, 45% (+6pp) in NMS-7 expect positive consequences of the introduction of the euro. In Lithuania, the number of people expecting positive consequences for themselves is also growing, however less dynamically, with 35% (+2pp) as opposed to 44% (-3pp) expecting negative consequences.

As regards possible consequences of the euro introduction on prices, there is a positive trend with the number of respondents in NMS-7 expecting the euro to keep prices stable having increased since 2012 (24% (+2pp), in 2013: +13pp). However, 65% (-2pp) in NMS-7 expect prices to go up. In Lithuania, the number of respondents expecting the euro to keep prices stable has risen by 4pp to 18% since 2013. Notwithstanding this, a negative impact of the euro introduction on prices is still a major concern for the Lithuanians with 75% expecting prices to go up (-3pp). Concerns about abusive price setting in NMS-7 have slightly decreased (71% (-3pp)), with the results in Lithuania mirroring this falling trend (70% (-5pp)).

When asked whether the introduction of the euro would mean a loss of control over economic policy, a majority of 53% (+4pp) in NMS-7 disagrees with this statement, which is broadly in line with the result in Lithuania (50% (+2pp)).

The most important expectations Lithuanians have of the adoption of the euro for Lithuania out of six options provided (multiple answers possible) are that it will make citizens feel more European (51% (+3pp)) and that it will reinforce Europe's place in the world (49% (+7pp)). On third rank follows the expectation that the euro will ensure sounder public finances (38% (+2pp)).

3.2. Information about the euro

In Lithuania, in April 2014 there was already a high awareness of the potential euro introduction with 82% of citizens polled expecting this to happen in 2015.

As regards information about the euro, results in Lithuania have significantly increased since 2013 and score best in NMS-7 (together with the Czech Republic). 50% (+9pp) of citizens polled felt informed, and among them 42% rather well informed. In NMS-7, the sense of being informed about the euro has slightly improved (42% +1pp), while 56 % (-1pp) do not feel informed.

When asked about whether they would trust information on the changeover to the euro provided by certain institutions or groups, citizens polled in NMS-7 put most trust in information provided by their National Central Bank (76% (+1pp)), followed by EU institutions (59% (+3pp)). The least trusted institutions or groups in this respect are journalists (28% (unchanged)) and trade unions/professional organisations (29% (-1pp)). In Lithuania, information on the euro changeover provided by the Bank of Lithuania enjoys the highest public confidence (65% (+6pp)). Next are EU institutions (62% (+4pp)), the fiscal administration (53% (+8pp)), the Lithuanian Government (52% (unchanged)) and lowest journalists (28% (+2pp)).

In line with the general trend, the dual display of prices in shops was deemed by 84% (+4pp) of Lithuanians polled as constituting an essential information to be covered by an information campaign, followed by the dual price display on bills (74% (+4pp)) and on pay slips (63% (+4pp)). Whereas 79% (+3pp) of citizen polled in NMS-7 consider knowing the value of 1 euro as an essential information for a campaign, this issue has only been chosen by 49% (-2pp) of Lithuanians, which could be related to the long-standing peg of litas to euro under a

currency board. The same applies to practical implications for the salary and bank account which is considered by 77% (+2pp) of respondents in NMS-7 as essential information but less important to citizens in Lithuania (58% (-1pp)). When asked which campaign elements would be deemed as essential, for Lithuanian citizens TV advertisement ranks first with 72% (+2pp), second is newspaper advertisement with 57% (unchanged), followed by radio advertisement (56% (-1pp)). Leaflets and brochures are far behind with only 30% (unchanged).

There is a need to focus the information campaign on informing on practical aspects of the euro changeover in Lithuania, to ensure a correct implementation of dual price display requirements and to closely monitor price settings during the changeover period as these are the major concerns of citizens. Adequate information on the euro and the euro changeover should address citizens' fears and scepticism towards the euro. All existing information channels should be used in order to reach all segments of the population.

4. GENERAL CONCLUSIONS AND WAY FORWARD

Practical preparations in Lithuania are overall on a satisfactory path. However, the Commission has identified some areas where further efforts are necessary. The Lithuanian authorities are in particular advised to take additional measures with a view to reducing circulating litas cash already before €day. Considering that euro-related price increases are one of the main concerns voiced by Lithuanian citizens, the measures foreseen for preventing abusive practices and erroneous perceptions of the evolution of prices by the citizens should be significantly strengthened. Information on price developments after €day should be published already in the beginning of January 2015. Efforts should be made to achieve the highest possible subscription rate to the Memorandum on Good Business Practice. Furthermore, it has to be ensured that corrective action against businesses not complying with the requirements for price display and conversion (e.g. rounding rules) or not implementing the Memorandum on Good Business Practice properly should be taken very quickly, with a view to taking a final decision within a maximum of 48 hours.

With a view to allowing the Commission to assess the progress of the implementation of the communication campaign, it is important that the European Commission is regularly informed on the state of play of communication activities and results of the opinion polls commissioned by the Bank of Lithuania. The European Commission will reassess Lithuania's practical preparations for introducing the euro, including its response to the recommendations set out in this Report and the effects of the ongoing information campaign. The Commission's findings will be published in another report (Fifteenth Report on the practical preparations for the future enlargement of the euro area) before the end of 2014.